

Message Text

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51 43

ACTION EB-07

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FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC 3859

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E.O. 11652: N/A

TAGS: EAIR, RO

SUBJ:CIVAIR: PAN AM SUSPENSION OF FLIGHT OPERATIONS

REF: (A) BUCH 3327; (B) BUCH 2887

1. I WAS PUZZLED AND DISTRESSED TO HEAR FROM LOCAL REPRESENTATIVE BASSO THAT PAN AM WILL SUSPEND FLIGHT OPERATIONS IN BUCHAREST FROM SEPTEMBER 16, 1975 - MARCH 31, 1976. AREA DIRECTOR, LOY, WHO CONVEYED NEWS IN JULY 21 CALL FROM NEW YORK WAS REPORTEDLY CRYPTIC IN HIS EXPLANATION, SAYING ONLY THAT DECISION TAKEN IN INTERESTS OF LONGER-TERM VIABILITY IN ROMANIAN MARKET. WE HERE PRESUME IT MAY BE RELATED TO REPORTED HITCHES IN PAN AM-IRANIAN AGREEMENT.

2. WE ARE, OF COURSE, NOT IN A POSITION TO EVALUATE ECONOMIC BASIS OF PAN AM DECISION. I UNDERSTAND FROM BASSO, HOWEVER, THAT REASONABLE LEVELS OF REVENUES BEING GENERATED, FROM BOTH FREIGHT AND PASSENGERS, AND THAT BUCHAREST PROBABLY OUTEARNING BUDAPEST.

3. WHEN PAN AM RESUMED OPERATIONS HERE, WE WERE ASSURED IT WOULD GIVE BUCHAREST ROUTE THOROUGH TRY. TO HALT OPERATIONS WITHIN FOUR MONTHS SEEMS TO FALL CONSIDERABLY SHORT OF THAT STANDARD. NOT ONLY DOES IT RAISE QUESTION ABOUT PAN AM'S ORIGINAL DECISION BUT IT CASTS DOUBT UPON PROSPECTS FOR REESTABLISHMENT OF OPERATIONS NEXT YEAR (2-3 FREQUENCIES/WEEK MENTION BY LOY).

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4. WHILE TAROM WILL SCARCELY BE UPSET BY COMPETITOR'S PROBLEMS, I THINK PAN AM'S PROPOSED MOVE MAY CREATE SOME CONFUSION ON PART OF OUTSIDE OBSERVERS AND EVEN ROMANIAN LEADERSHIP. THIS ACTION WILL BE DIFFICULT TO SQUARE WITH EXPECTED AFFIRMATION BY PRESIDENTS FORD AND CEAUSESCU IN FORTHCOMING MEETING OF THEIR DESIRE FOR INCREASED TRADE AND PERSONAL CONTACTS. IN REAL TERM DECISION ALSO SEEMS TO IGNORE EXPANSION OF TRADE CONTACTS WHICH SHOULD FLOW FROM APPROVAL OF TRADE AGREEMENT.

5. ACTION REQUESTED: I REQUEST THAT DEPARTMENT REVIEW WITH PAN AM BASIS OF ITS DECISION AND SEEK TO CLARIFY PROSPECTS FOR RESUMPTION OF FLIGHT OPERATIONS IN APRIL 76. SECONDLY, I WOULD APPRECIATE DEPARTMENT'S JUDGMENT AS TO HOW AND WHEN ARTICLE XIV ISSUE IS TO BE HANDLED (REFTELS). HERE PAN AM DECISION HAS INTRODUCED

ADDITIONAL COMPLEXITY, SINCE GOR INCLINATION WILL PROBABLY BE TO STALL ON GROUNDS THAT ISSUE IS ACADEMIC IN ABSENCE OF ACTUAL FLIGHTS. ON OTHER HAND, INITIATION OF CONSULTATIONS FOLLOWING PRESIDENT'S VISIT CAN CAPITALIZE UPON EXCELLENT CLIMATE CREATED. BARNES

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